

## Message Text

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ACTION TRSE-00

INFO OCT-01 ISO-00 EB-07 CIAE-00 DODE-00 INR-07 NSAE-00

PA-02 USIA-15 PRS-01 SP-02 H-02 L-02 AID-05 NSC-05

CIEP-02 SS-15 STR-04 OMB-01 CEA-01 COME-00 FRB-01

XMB-04 OPIC-06 LAB-04 SIL-01 SAM-01 EUR-12 /101 W

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P 211146Z MAR 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 2186

UNCLAS LISBON 1603

EO 11652: N/A

TAGS: EFIN, PO

SUBJ: STATEMENTS ON REVALUATION OF GOLD HOLDINGS

REF: STATE 60718

1. THE ONLY KNOWN STATEMENT WHICH HAS COME TO THE EMBASSY'S ATTENTION REGARDING THE REVALUATION OF GOLD HOLDINGS IS THE ONE WHICH WAS MADE DURING AN INTERVIEW GIVEN BY THE GOVERNOR OF THE BANK OF PORTUGAL (DR. MANUEL JACINTO NUNES) TO A REPORTER OF THE LOCAL WEEKLY NEWSPAPER EXPRESSO ON MARCH 1, 1975.

2. IN ANSWER TO THE REPORTER'S QUESTION OF "WOULD IT NOT BE ADVISABLE TO REVALUE GOLD RESERVES AND ASSURE NEW POSSIBILITIES OF ISSUE IN VIEW OF THE CENTRAL BANK'S EXPANSIONARY CREDIT POLICY?" DR. JACINTO NUNES STATED THAT FRANCE WAS THE ONLY COUNTRY TO HAVE REVALUED THE PRICE OF GOLD, THAT DURING HIS TRIP ABROAD A WEEK EARLIER HE HAD CONTACTED INTERNATIONAL INSTITUTIONS INVOLVED WITH THOSE PROBLEMS, AND THAT HE DID NOT GET THE IMPRESSION THAT MANY OTHER COUNTRIES WOULD FOLLOW THE EXAMPLE OF FRANCE. THIS HE SAID DOES NOT MEAN THAT WE CANNOT DO IT.

3. THE REPORTER REPLIED "YOU LEAVE ME EXACTLY WITH THE SAME  
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DOUBT, WILL OR WILL NOT PORTUGAL REVALUE RESERVES?" DR.

JACINTO NUNES REPLIED: AN ANSWER TO YOUR DOUBT CAN BE GIVEN IN THE FOLLOWING WAY: IN FACT THE MECHANISM OF ISSUE NOWADAYS IS TIED TO THE VOLUME OF RESERVES WHICH MEANS THAT ONE OF TWO THINGS COULD HAPPEN AND NEITHER OF THEM ORIGINAL. THE FIRST ONE WOULD BE THAT THE SO-CALLED RULES GOVERNING RESERVES AND COVERAGE OF LIABILITIES REMAIN UNCHANGED; PORTUGAL IS ONE OF THE COUNTRIES IN THE WORLD WITH HIGHEST COVERAGE RATES. THAT (LOWERING COVERAGE) WOULD BE ONE WAY TO INCREASE OUR LENDING CAPACITY WITHOUT ALTERING THE VALUE OF GOLD. ANOTHER HYPOTHESIS WOULD BE TO DO WHAT THE U.S.A. DID: FREE THE TIE OF ISSUE TO THE COUNTRY'S RESERVES. IT CAN BE CONCLUDED, THEREFORE, THAT NO NEED EXISTS FOR REVALUATION OF GOLD TO INCREASE THE LENDING POWER OF THE BANK OF ISSUE.

4. THE REPORTER FINALLY SAID: FROM WHAT I HAVE JUST HEARD I CAN INFER THAT DESPITE GOLD AND FOREIGN EXCHANGE RESERVES HAVING DECLINED ENORMOUSLY IN THE LAST SEVERAL MONTHS YOU DO NOT CONSIDER IT ADVISABLE TO REVALUE. DR. JACINTO NUNES REPLIED: IT IS OBVIOUS THAT THE BANK IS STUDYING THESE PROBLEMS; ONLY IF WE WERE COMPLETELY INATTENTIVE OF OUR DUTIES AND RESPONSIBILITIES WOULD WE NOT BE STUDYING THEM.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** REVALUATIONS, GOLD HOLDINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 21 MAR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975LISBON01603  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750099-0615  
**From:** LISBON  
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**Line Count:** 83  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION TRSE  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 60718  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** woolflhd  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 23 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <23 SEP 2003 by buchantr>; APPROVED <30 DEC 2003 by woolflhd>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** STATEMENTS ON REVALUATION OF GOLD HOLDINGS  
**TAGS:** EFIN, PO  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006